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MANAGEMENT REVIEW

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The
**MANAGEMENT
REVIEW**

November, 1932

Merchandising and Marketing for Changing Conditions

*By E. VICTOR DONALDSON, President and General Manager,
Robert Gair Company, Inc.*

THE business depression with its underlying causes of a disorganized world economy, uncontrolled production and under consumption, have placed the manufacturer of consumer products face to face with an acute selling problem which challenges the ingenuity and initiative of business executives. Many people believe that a revival of business would be stimulated by some new outstanding product like the automobile or the radio, which played so great a part in our recent prosperity. It is possible that our industrial research laboratories may in the future produce such a commodity. But certainly American business and industry cannot await the birth of a single new device to save it. A far better plan, it would seem, would be to turn our minds to the many important innovations and improvements that can now be developed which in their cumulative effect may prove the big stimulus to the business revival we are seeking. And in a large degree the responsibility for such developments must rest with the supply industries on which the manufacturer of consumer products is dependent.

Each day it becomes more clear that for a consumer product to win a place in present competitive markets it must carry some sales appeal over and above what was required even twelve months ago. Particularly during the last few months, it has been demonstrated that lower prices alone offer no solution to our sales problem. This appeal, so generally used since the depression began, has lost its value. With price cutting almost universal, its pulling power has been outworn and little if any benefit remains for the individual manufacturer.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

During the last few months there has been evidenced a very consistent effort on the part of both manufacturers and retailers to win the buying public back to quality standards. This campaign has been launched with the aid of intensive promotion, advertising and publicly expressed support of leaders in many fields. Nevertheless, it has failed to check, in any appreciable degree, the price slashing and bargain sale merchandising technique which is now so characteristic of most lines. And it is doubtful if the quality appeal in itself can be expected to change present-day buying habits; first, because while most consumers appreciate the value of quality and desire high quality merchandise, the impulse to buy a bargain is so strong in all of us that we are apt to yield even though we are not quite so certain about the quality of the cheaper product; second, we must recognize and make allowances for the impaired buying power of a large proportion of the consuming public; that it has fewer dollars to spend for goods and that no matter how much it may want better quality in the things it buys, it is forced to make many of its decisions on a price basis.

These are the conditions confronting present-day business and industry which prompt the belief that the quality appeal must be made not only in advertising, not only in public discussions of business questions, but that above everything else, the quality or betterment of the product must be evident in the product itself, so evident that the consumer can see it or know it.

Confronted with this dilemma, far-seeing manufacturers of consumer products are turning to other sales appeals. In doing so, they recognize that to sell today one must sell not only at the lowest possible price but must offer as well some added inducement of quality, convenience or usefulness.

Plus values are what consumer products appear to need most at this time and many of them must come from the supply industries if they are to come at all. In the past these industries have functioned well and contributed a great deal. They occupy a particularly strategic position in the present situation and can play an important and most helpful part. Just how important may be appreciated when one recalls what the development of nitro-cellulose lacquers meant to the automobile industry in improving its product and lowering sales prices; or the contribution of the group of compounds known as "synthetic plastics" of which Bakelite is one of the best known. Innumerable consumer products have been materially improved and their sale stimulated by these developments. They are two of the most outstanding which come to mind. There are many others such as chromium plating, stainless steels, altogether new metals and alloys, phenol-resinoid compounds, transparent sheet cellulose, a seemingly endless list, all very confusing and perhaps incomprehensible to the layman but each with one or more uses and countless applications for goods which appear on retail sales counters. How often has the application of one or more of these new products and processes to a retail article served to give it that extra sales impetus which is so neces-

sary now or opened up previously untapped markets by the reduced retail prices made possible by their use.

In many instances, innovations in processing or handling a given product rather than a change in the product itself will render the greatest service to the manufacturer of that product. Certainly our elaborate system of mass distribution of foods, drugs and many other items would be impossible without packaging and machine filling and wrapping. Improvements of this character have proved extremely valuable in promoting retail sales as in the case of cellophane.

Many examples could be cited of what has been done in the packaging industry to help the manufacturer of consumer products. One recent instance stands out particularly. Seven or eight years ago Clarence Birdseye perfected a method and the machine for freezing perishable foods so quickly and to such low temperatures that they remain altogether fresh and unchanged as to quality, flavor and texture for almost any reasonable length of time. The implications of the new process were and are so great that virtually every branch of the food industry from grower to consumer will feel its effects.

Although years have passed since the Birdseye process was perfected, the marketing of quick frozen foods has progressed very slowly. In fact, distribution is only now beginning to assume important proportions, not because of problems and difficulties encountered in the production of these foods but principally because satisfactory means and materials needed for distribution had not been developed by the supply industries. Two major shortcomings evidenced themselves when retail distribution was begun on an experimental scale: first, the need for a refrigerator display case for the retail storekeeper which would maintain a maximum permissible temperature of 10 degrees above zero and would enable him properly to display his wares as well as keep them fresh and ready for use; second, a moistureproof paperboard carton.

Packaging is an essential feature of the Birdseye process, in which the food is put into cartons first and then frozen. Since many of the 100 or more items including fish, meats, fruits and vegetables, now offered in this form have a considerable moisture content, it was necessary that some sort of moisture resisting carton be devised which would prevent leakage. When marketing tests were begun there was little to be had in the way of moistureproof cartons just as there were no refrigerator display cases such as these foods demanded.

Both problems now appear to have been solved. Within the past year or so, refrigerator manufacturers have perfected low temperature display cases which seem to answer all requirements, and are turning them out in quantities. More recently there has been perfected a paperboard carton with a fixed inner lining of transparent waterproof cellulose which promises to solve most of the difficulties of packaging.

Here is a typical instance of the sort of service which the supply industries can render to manufacturers of consumer products, not by saying "it can't be done" but by doing what had previously been considered impossible. Sheet cellulose, waterproof and transparent, has been welcomed by the food industry as an excellent wrapping for its products. One difficulty connected with its use is that it resists pasting or gluing. Since many food cartons are wax coated to make them greaseproof, these cartons likewise resist gluing. In the case of the Birdseye cartons therefore, the package engineers were called on to produce a folding box consisting of two glue-resisting materials pasted together. They did it and thereby made possible the packaging of moist or semi-liquid products in paperboard cartons with entire safety. For the manufacturer of quick frozen foods this means not only that his product will reach the consumer in acceptable condition but he can now fill and close his packages by machine instead of by hand, at a very substantial saving in cost.

The need for moistureproof and greaseproof paperboards cuts across many industries and businesses and for this reason the Robert Gair Company, Inc., recently donated an industrial research fellowship at the Mellon Institute in the hope that some valuable advances would be made in a field in which comparatively little is known. Successful development of such carton materials will be of substantial help not only in the food industries but in every industry in which the moisture content of the product plays a part.

Still another example of shipping and packaging improvements points the same sort of lesson. It is at least three or four years ago that dry ice was made available for refrigerating purposes. Its advantages were manifest almost from the beginning for products which could absorb its higher cost. It offered a superior refrigerant, a cleanliness and ease of handling which could never be achieved with water ice. Nevertheless, the range of its uses was decidedly limited because of the technical packaging problems involved. Since it is so much colder than water ice, the pioneers in its use quickly found that packages and shipments refrigerated with dry ice more often than not evidenced a freezing of that portion of the product packed closest to the refrigerant while the portion farthest removed might melt. The nub of the problem was to find some way of obtaining a more even distribution of cold within the shipping unit, to maintain the desired temperature throughout the case or package for the better preservation of the product and greater economy in the use of the dry ice refrigerant.

Here again engineers have been successful and have made it possible for package users and shippers of a wide variety of food products to employ this new refrigerant to great advantage. The solution hit upon by the package engineers was to develop a double-faced corrugated board inside of which is buried a series of parallel copper or aluminum wires. The equalization of temperature throughout the package was achieved by combining the insulating

qualities of corrugated paperboard with the heat conductivity properties of metal.

For example, to keep fresh fish at the proper temperature without freezing, a standard corrugated box is fitted with bottom pads and liners of corrugated board in sufficient quantity to furnish the desired insulation. The wired liner is then bent over a form into three panels and inserted into this box with the middle panel on the bottom and the two end panels coming up two opposite sides. The required amount of CO₂ ice is next packed into the box, then the contents of fish and finally the top pads. The conductivity of the wires is so high that incoming heat which otherwise would melt that part of the contents most remote from the CO₂ ice is carried down to the ice instead and, in like manner, the bottom layer of the contents nearest the ice is preserved from super-cooling. The contents are kept at just the right temperature throughout the period of shipment on a smaller quantity of refrigerant. The so-called "ideal temperature" may be arrived at quite accurately by varying the amount of insulation between the bottom of the refrigerant and the heat conductor liner.

We thus have the seeming paradox of a combination of insulation and heat conductivity in the same sheet of paperboard. The explanation is that corrugated paperboard insulates the contents from outside heat and what heat does get through the walls is mostly caught by the wires and carried down to the ice instead of going on into the contents.

The implications of such developments are intensely interesting. In the fresh fish industry, for example, the market heretofore has been narrowly restricted to the territory which could be served by short-time express shipment, and even within this market there has been a very high percentage of waste due to spoilage in transit. For the same reasons, the ice cream industry has been largely a local industry. With these new methods of refrigeration and packaging, it would seem entirely feasible to extend market limits so as to include thousands upon thousands of new consumers; and the extension of markets is, I suppose, the problem of all of us.

The work done on quick frozen foods, dry ice packing and the establishment of the Gair Fellowship are significant here only because they point the way that the supply industries as a whole must take. The day has passed when this division of our industrial organization can be indifferent to any one of the problems which beset the manufacturer or distributor of consumer products. The supply industries must arm the producer of consumer goods not only with new and improved materials, new processes, new machinery, new tools, but in doing so, must enter into his manufacturing and, yes, his merchandising problems as well. To my mind this is a most important road to the new prosperity. It requires no governmental aid or enabling legislation. It can be done NOW.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

What Guidance Does Business Need to Prevent Future Depressions?

Three propositions are suggested and discussed as both fundamental and capable of development, which might act as definite preventatives: 1. A control of the volume of stock and bond issues where they are publicly sold; 2. The use of our financial power, or excess wealth, to develop constructive new wealth; 3. The establishment of an independent national commission of business to study and suggest proper development, and warn against developing excesses. By Col. Benjamin A. Franklin. *Industry* Oct. 15, 1932, p. 1:3.

The Balance Sheet of Business

Business assets include: improvement in security prices, domestic and foreign; worldwide moderate advance in commodities; reversal of the gold movement in our favor; decline in bank failures and money hoarding; cessation of decline in production; credit ease and restored public confidence; low inventories of finished goods; narrowing gap between raw and finished goods prices; notable adjustment of small business to new conditions; tangible improvement in oil, sugar, textile, shoe and lumber industries.

Business liabilities include: excessive public, corporate and individual debts; immediate political uncertainties; unbalanced Federal budget and onerous taxation; tremendous unemployment, cyclical and technological; excessive producing facilities and faulty distribution; excessive surpluses of many raw materials; further necessary deflation of real estate; uncertainty of col-

lection of vast foreign debts; worldwide trade restrictions and barriers; continued stagnation of heavy industries. By John D. C. Weldon. *The Magazine of Wall Street*, Oct. 1, 1932, p. 638:3.

Myths and Realities About Soviet Russia

Mr. Polakov discusses some false views which have been expressed about Soviet Russia; the business effects of such views; the problem of adjusting these ideas; the similarity between American and Soviet management problems; the attainments of the Soviet "experiment"; handicaps to efficient management in Russia. By Walter N. Polakov. *Harvard Business Review*, October, 1932, p. 1:13.

Air Conditioning: 1932's Infant Industry

A discussion of the latest newcomer to the ranks of American manufacturing, its merchandising problems, and advertising opportunities. By H. A. Haring. *Advertising & Selling*, Sept. 15, 1932, p. 15:3.

Secrecy on Wane in Big Corporations

An analysis of the published annual reports for 1931 of 781 companies with stocks listed on the New York Stock Exchange discloses that the financial statements of 561 were audited by independent public accountants, it was announced recently by the New York State Society of Certified Public Accountants. The report declares that this practice is best for all concerned—investor, management, labor and the financial world generally.

"The majority of corporations," the re-

port reads, "issue one type of annual report to all stockholders. Some companies at the close of their fiscal year issue to stockholders a preliminary statement as to the year's results, pending the compilation and mailing of the usual annual report. A few companies issue a summary informing stockholders that the complete report will be mailed upon request." *New York Times*, October 21, 1932.

Personality in a Depression

Donald Laird discusses the importance of personality traits to the personnel of American industry and outlines an analysis whereby one may determine what one's personality traits and handicaps are in charting a more successful life despite adverse conditions. By Donald A. Laird. *The Office Economist*, September, 1932, p. 3:2.

FINANCIAL MANAGEMENT

Sees Debts Scaled to Assist Industry

Compromise settlements under which investors are exchanging their original bonds and stocks for new issues of half the face value and gambling with debtors to salvage the remainder when business improves are enabling scores of manufacturing, real estate and other business enterprises to escape liquidation at this time, according to a recent statement by James O. McKinsey. The settlements have made it possible for companies to reduce carrying charges which have turned into a crushing burden since business fell from 1929 levels. The executives who faced this problem by being frank and honest with security holders and other creditors found it was not difficult to arrange a compromise that allowed the company to continue operations. *The New York Times*, Oct. 16, 1932, p. F. 9.

Capital and Revenue Profits and Losses

The usual requirements of sound finance, before the declaration of a dividend out of profits, are as follows:

1. All expenditures and waste of fixed and circulating assets incidental to the process of earning profits by the conversion of circulating assets into cash should be made good out of profits earned. Losses for known but unlocated losses (bad debts, etc.) should be provided for. Old revenue losses should be made good.
2. Capital profits should be first applied in making good capital losses.
3. If the objects and nature of the com-

pany necessitate it, any remaining capital losses should be made good out of net revenue profits.

4. Profits should be set aside in reserve to strengthen the business, and to provide for the equalization of dividends in lean periods.

The remaining profits may be safely distributed as cash dividends, except in the cases of unrealized profits which must never be used as justification for cash dividends. By R. R. Thompson. *The Accounting Review*, September, 1932, p. 153:16.

"I Always Know Where I Stand"

In the large and small business alike, the importance of accurate financial information cannot be over-rated. A plan is described showing how necessary information may be easily prepared, simply recorded and satisfactorily preserved. In the example taken to illustrate this article, no costly installations and no increase in staff were made. By Ralph E. Judson. *The Office Economist*, September, 1932, p. 5:2.

The "10th Proximo" Discount

Because of—or taking advantage of—the two cent federal tax on checks and the one cent added postage on first class mail, there has swept over American business a wave of requests that buyers be allowed to pay all the month's bills with one check on the tenth of the month following, and to deduct the customary cash discount. Thirty-seven replies to a ques-

tionnaire sent to representative companies in the chemical industry on whether they had adopted this policy were: yes, 6; in some cases, 15; no, 17. Their reasons are summarized. *Chemical Markets*, September, 1932, p. 211:4.

Property Dividends and Law

Corporations may find it convenient or necessary to distribute their earnings in the form of property among their shareholders, and, when the stockholders are few and the corporate property is readily divisible without decreasing its value there may be little, if any, objection to this method of distribution. In order to meet this need of modern business, various forms of property distributions, in addition to cash, stock and scrip dividends, have been recognized and approved by the courts. These forms are considered and the judicial decisions cited. No stockholder, however, can be compelled to accept a property dividend. The Federal income tax applies to this class of dividend to the same extent that it applies to cash dividends. By L. L. Briggs. *The Accounting Review*, September, 1932, p. 169:6.

Accounting for Block Community Organization

By C. E. O'Neil. *N. A. C. A. Bulletin*, Sept. 1, 1932, Sec. I, p. 1633:27

Some Things Not in the Financial Statement

A number of instances are cited in which weakness in managerial ability that is not shown in financial statements has resulted in very definite losses to companies. By Charles Weisberg. *Credit Executive*, October, 1932, p. 21:3.

Control of the Capital Market

The justification for control of the capital market, as distinct from the unsoundness of all attempts at interferences with the markets of raw materials, appears to lie in a fundamental difference of the price-making process in these markets. The attempts of cartels at "stabilization," be it

of prices or of production, are not only utopian but are bound to aggravate the evils they combat. No such theoretical objection exists against the control of the short-term and the long-term loan markets. To be effective, however, such control would have to embrace both these markets and would have to be qualitative as well as quantitative by affecting the particular uses of credit instead of merely its aggregate amount. By Robert Weidenhammer. *The American Economic Review*, September, 1932, p. 389:14.

Statements Are Superficial

While figures may not lie, they frequently do not tell the whole truth. A customer's balance sheet may meet all the requirements of good business and indicate a sound and prosperous condition justifying a loan from the bank. Yet he who reads between the lines, as a successful loan officer does, may find a condition existing which does not show on the balance sheet and statement submitted to the bank.

Seven conditions not shown on statements are: 1. Accounts receivable may be "frozen"; 2. Accounts payable may be past due; 3. Merchandise may be inventoried above present worth; 4. Investments may be valued at par instead of sale value; 5. Real estate, buildings and fixtures may be written up; 6. Inventory may include outdated and unsalable items; 7. Over-expansion may be killing profits. By A. Brizolara, Jr. *The Bankers Monthly*, October, 1932, p. 591:4.

Warehouse Receipts

The trend toward more extensive use of the trade acceptance and other means of documentary finance is indicative of the general business and banking effort to give assistance at a time when everything that can be done must be done to improve business conditions. No other credit instrument has contributed to any business, even approximately, what the warehouse receipt has contributed to the cotton, grain and wool business in the matter of credit.

In addition to the actual security through

basing loans on warehouse receipts, a desirable loan feature is found in the self-liquidating nature of loans which use, as collateral, commodities in the orderly process of being marketed. Raw materials and finished products held under warehouse receipts must be released as needed

for manufacture or delivery on sale. For the pledgor of the goods to accomplish this, it is necessary for him to effect a proportionate reduction in the size of the loan secured by merchandise. By A. T. Gibson. *American Bankers Association Journal*, October, 1932, p. 27:3.

Insurance

Security of Insurance Companies

Examination of the record of life insurance companies during the depression gives no indication of financial instability. These companies show more than 20 billion dollars invested, fully secured mortgages constituting 38 per cent of this total, railroad and public utility bonds 39 per cent and policy loans and premium notes 16 per cent. The accuracy with which life companies can estimate future disbursements enables them to carry most of their securities till maturity. Consequently they are permitted by state insurance departments to evaluate their bonds on an amortized basis instead of fluctuating market values. Last year total disbursements to beneficiaries and policyholders reached 2 billion 600 million.

Many casualty companies showed an underwriting loss for 1931, particularly those handling workmen's compensation and other liability lines. Settlements often depend on court action extending over periods of years, so it is probable that the depression will be long past before companies are called upon to pay many of these losses. The assets of 99 companies examined by Best's Insurance News were divided as follows: bonds 51 per cent, stocks, common and preferred, 21 per cent, cash 5 per cent, real estate and mortgages 9 per cent, premiums less than 90 days due 11 per cent, and the rest miscellaneous. This year state insurance commissioners agreed to permit casualty and fire companies to evaluate bonds on an amortized basis and some states are permitting evaluation of stocks half way between prices on June 30, 1932 and the same day a year ago.

Fire and marine companies made an un-

derwriting profit last year and the average balance sheet showed 37 per cent bond holdings, 46 per cent stocks, 6 per cent agents' balances and 5 per cent cash. As long as these companies continue to show a good margin of income over disbursements the question of security values is less important. By Thomas E. Sears. *Industry*, August 13, 1932, p. 1:2.

Covering Coverage

This article emphasizes that complete protection is the fundamental keystone to the entire credit structure. By R. F. Van Vranken. *Credit and Financial Management*, October, 1932, p. 20:2.

To Determine Insurable Hazards

A comprehensive survey by the property owner or operator, to determine insurable risks, should include consideration of the following factors: 1. Past experience of the individual risk for each hazard and comparison with other risks in the same industry and circumstances; 2. Spread of the risk; 3. Allow for law of average and cycles; 4. Group the units of risks that have similarity of hazards; 5. Determine whether the insurance rating basis is according to hazards, units or value. If not reasonably flexible according to loss experience, it is inequitable; 6. Consider credit allowed by insurers for individual prevention efforts, for if casualties can be reduced to a greater degree than is allowed for in insurance rates, there is direct saving for the self-insurer; 7. Consider prospects of controlling hazards from within, and exposure to hazards from without; 8. Recognize that severity of casualties is

more potent than frequency, and possible future liability is even more serious, but all of these are merely relative to the margin of reserves; 9. Consider the costs of administration, adjustment and prevention, providing self-insurance if the risk is contemplated; 10. Sufficiency of facilities for continuation of the business following damage to property or interruption of service.

Methods of substitution may be utilized to advantage.

The insurance manager should adopt such survey methods to protect the company's interests, keep in touch with management activities, and utilize automatic insurance coverage whenever practical. By P. D. Betterley. *Management Methods*, October, 1932, p. 582:1.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Check Your Office at These 333 Points

This booklet presents a list of points in the activities of the office that, without too much difficulty, may be checked as to the excellence of methods or of work done. Among the subjects covered are: Filing, Correspondence, Routines and Methods, Control of Output, Office Arrangement, Office Machinery, Office Personnel, Salary Standards, Organization, Forms, Transcribing Department. By Norman C. Firth. Reprinted from *Management Methods*, November, 1931—June, 1932. 15 pages.

The Clerical Worker and Industrial Change

A recent series of studies of women in Philadelphia and St. Louis offices during 1931 and the early months of 1932 made by the Women's Bureau of the Department of Labor, showed that one in nine of the women working in Philadelphia offices and one in 10 of those in St. Louis operated machines other than the ordinary typewriter. In the 94 insurance companies, public utility companies, publishing firms, chain stores, mail order houses, banks and investment firms covered by these surveys, 438 women worked on bookkeeping or billing machines, only 177 women being found who still carried on this work by hand.

A comparison of the wages of hand bookkeepers and ledger clerks with the wages of bookkeeping and billing machine operators showed that wages tended to decrease with the change from hand to ma-

chine work in both cases. However, wage rates were found to increase with length of service and the hand bookkeepers probably were in the longer service groups.

From interviews with employers in regard to office policy in Philadelphia and St. Louis, the reports conclude that the discharge of employees has not followed the introduction of machines into offices. Both reports, however, show that fewer additions to the office force had been required since the acquisition of the machine and that very few people had been hired during the last year. By Mary Anderson. *American Federationist*, September, 1932, p. 1024:5.

Systematische Übersicht der Schreib- Und Rechenarbeiten im Modernen Bürobetrieb

The systematic supervision of typewriting and bookkeeping operations is discussed in this pamphlet. Methods of using adding, calculating, and posting machines are presented. By Dr. Robert Weiss. 1931. 22 pages.

The Two-Shift, Five-Hour Office Day

The New Hampshire plan for a short day and week in offices, which aims to increase employment 400,000:

1. Hire or rehire 10 per cent extra employees for routine jobs with salaries paid by those now working.

2. Study in seven offices indicates that contributions of four to five per cent sala-

ries of \$5,000 and up, three to four per cent \$1,500 to \$5,000 and two to three per cent below \$1,500 will provide salaries of \$780 to \$1,000 per year for ten per cent extra people.

3. Use the hours of these extra people to shorten the hours of those now working. To avoid the cost of extra equipment and floor space, two five-hour shifts may be inaugurated.

4. The benefit of shorter hours can be spread to nearly all office workers. It is recommended that at least two workers in every routine department go on the short day.

5. Inquiry of 60 people in five offices indicates that the cost of salaries for 10 per cent extra people will be willingly met by voluntary contributions from those now working if this project becomes a national undertaking. By Harold M. Davis. *Proceedings of the National Office Management Association*, June, 1932, p. 78:5.

Standards of Work in Small Departments

The Nashua Gummed & Coated Paper Co., employing a clerical force of 71 people, has done considerable work in standardizing its office and putting its employees on a unit production plan. In each of the

company's departments the plan has two parts, a payment for production and a penalty for poor work. Some of the company's production records are given, and an explanation of how the plan was adopted. By Oscar L. Tacy. *Proceedings of the National Office Management Association*, June, 1932, p. 29:5.

The Job Survey

A detailed description of the adaptation of job analysis to a systematic investigation of office work in the Ralston Purina Co., with a resulting estimated saving of \$75,000 for one year. Certain weak points were uncovered and some exceptionally strong and progressive departments were located. Department heads and workers alike were so stimulated in their thinking by the survey that many conditions were improved as a result of their suggestions. Furthermore, the accumulated data served as the basis for a wage standardization plan which was later developed. Forms and questionnaires used in making the survey are illustrated. This is one of the two papers which won the Leffingwell Award for 1932. By A. P. Truex. *Proceedings of the National Office Management Association*, June, 1932, p. 59:9.

Records: Forms, Charts, Cards, Files, Statistics

A Sales Department Central File That Helps Close Sales

A central file that gives a complete picture of how the outside salesmen handle their calls and sales has been developed at Schwabacher-Frey Company. The file gives executives and others in the organization definite help in handling difficult accounts and sales problems.

An important feature of this central file is that all the accounts called on by the salesman are grouped in one position in the visible index so that it can be determined off-hand the proportion of accounts he called on in month in the year, the

accounts sold, and the amounts of the orders written, and which of the company's products were discussed at each of the calls.

The data on calls and sales are entered on two cards, both of which are filed together for each account. The sales are entered daily. The calls are entered daily on a visible file card from the salesmen's daily report while the sales are recorded promptly at the end of the month, also on a visible file card.

The salesmen's daily report also serves to keep executives advised of accounts that salesmen have called and require their ac-

tive assistance to close. In addition to the visible index of calls and sales by accounts, the firm uses a report form to record by salesmen the monthly and cumulative calls, sales, average daily calls, average daily sales and the sales percentage of calls. These four forms are illustrated. *Management Methods*, September, 1932, p. 508:1.

Taking the Hazard Out of Printed Forms

Approximately 100 different printed forms are necessary to take care of routine operating and accounting matters in the general offices and 22 restaurants and confectionery stores of the Pig'n Whistle Corporation. In order to have all information regarding a form at hand when reordering, an exclusive form data file has been installed. There is filed numerically an envelope for each form, and into these envelopes go all memoranda, bills and correspondence relating to that form. On the face of the envelope there is printed a record chart which, when filled out, gives a complete history of each form. It provides for the initial purchase and four reprints, in each instance covering the neces-

sary details of the ordering, delivery, estimated consumption, explanation of changes in price, paper, etc. In this way the company may at any time take from the form data file the envelope relating to any one of its forms and find information on it, or in it, which will act as a guide for intelligent ordering. By Theodore Rothman. *Chain Store Age*, October, 1932, p. 591:2.

Quick Classifying for Large-Scale Filing

The filing system in use in some of the newer government offices takes into consideration the most common letter combinations, and files first by surname and then by given name. The primary or surname guides are numbered, so that each group or division has a fixed number. Each guide and jacket bears a chart which assigns numbers to the contents of the files, if desired. In other words the chart contains two keys, the larger of which is for the surname, the smaller for the given name, so that all correspondence has a double check, alphabetical and numerical. A rapid method of preparing papers for this file is given. By Julia C. Gray. *The Office Economist*, September, 1932, p. 12.

Administration: Regulations, Supplies, Communications

Reducing Employee Absenteeism and Tardiness

Methods used by various manufacturers, department stores, insurance companies and others, to induce punctual and continuous service are discussed. By Ralph R. Brusster. *N. A. C. A. Bulletin*, Oct. 1, 1932, Sec. I, p. 169:13.

Improved Methods as an Aid to Office Economies

A review of some simple changes in practice, inaugurated by the Massachusetts Mutual Life Insurance Co., no one of which, the author says, has alone resulted in any impressive saving, but which in the aggregate show a very considerable yearly saving and improvement. Changes in equip-

ment, forms, recording routine, are explained and resulting advantages discussed. By Ralph R. Coombs. *Proceedings of the National Office Management Association*, June, 1932, p. 13:6.

Reducing Correspondence Costs

The following questions are considered: How much money does it cost to write a business letter? What percentage of business letters are unnecessary? How can the dictation of necessary letters be curtailed? How can typing be saved? How can we save on carbon copies? How can efficient dictation be judged? How can reasonable letter costs be determined? By C. U. Stapleton. *Proceedings of the National Office Management Association*, June, 1932, p. 36:8.

PRODUCTION MANAGEMENT

Plant: Location, Lighting, Heating, Ventilation

American Branch Plants Meet European Competition

The author spent several months calling upon European offices and subsidiaries of American companies—60 in all—interviewing more than 150 executives, and visiting nearly 50 branch plants in England, France, Germany and Belgium. His findings suggest the need for a fuller appreciation of the strategic value of the branch plant, as well as the possible desirability of expanding foreign markets through the branch plant and the acquisition of existing foreign concerns, rather than through increased export effort and expansion of domestic plant capacity. By Graham W. Parker. *Factory and Industrial Management*, September, 1932, p. 355:3; October, 1932, p. 375:3.

Industry's Excess Capacity Problem Dissected

Focusing on the steel industry in particular but making suggestions applicable to industry broadly, the president of the Steel Co. of Canada divides into their chief elements the causes and cures of the problem of excess capacity. His discussion touches on both current and future conditions.

The author believes that recurring peaks of production afford the most reliable measure of the growth of consumption. Also, he holds that the greater permanence of modern construction alters the relation of demand to population, so that the *per capita* consumption is not so dependable an indicator of expansion as some believe. Re-

finements in design, use of alloys, better engineering practice—these, he adds, will have for their ultimate effect a broadening of demand by establishing lower effective costs.

He urges national and international co-operation to an extent hitherto unknown as the hope for the elimination of profitless prices. Concerted attempts should be made, he says, to appraise the fair share of the market to which contending elements are entitled, based on claims supported by past performance, location and other permissible considerations. The steel industry, he asserts, never had the courage to capitalize profits reinvested and it has never had the courage to bank on the protection it has built up against imports, irrespective of tariffs, through achieving high quality of product. By Ross H. McMaster. *The Iron Age*, Oct. 20, 1932, p. 607:2.

Plant Lighting

This issue, devoted to plant lighting, contains the following: Illumination—Adequate vs. Inadequate; Plant Illumination and Good Management (chart); Industrial Illumination Today; Present Standards of Foot-Candle Illumination for Industrial Interiors; Making the Plant Illumination Survey; A Practical Guide to the Modernization of Lighting Equipment; Has Inadequate Wiring Stolen Light in Your Plant; Measuring the Human Element in Industry; Look for Quality When Buying Lamps; Bibliography of Recent Articles on Industrial Lighting. *Mill & Factory*, September, 1932. 98 pages.

Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety

Study Your Equipment to Reduce Fatigue

Experiments in the consumption of energy in the operation of molding carried out in the plant of Bamberg, Leroi & Cie, Frankfort am Main, indicate definitely

that greater efficiency without greater fatigue can be secured through the application of machines to the subordinate operations that consume most of the energy. By René Leonhardt. *Factory and Industrial Management*, October, 1932, p. 391:3.

How We Cut Accident Claims 52 Per Cent by a Strict Maintenance Policy

How the Southern Dairies reduced the number of claims on its fleet of 315 trucks from 188 in 1931 to 49 in six months of 1932, through a safety program which gave special attention to fleet maintenance, is described by the company's treasurer. By H. W. Shaw. *Power Wagon*, October, 1932, p. 5:2.

Periodic Medical Examinations

The chief surgeon of the Chicago Rapid Transit Company outlines the inauguration, some twenty years ago, of a plan of periodical medical surveys of its employees, and traces the successful experience of the program and its satisfactory results. A complete description of the plan is given. By Hart E. Fisher. *Industrial Medicine*, October, 1932, p. 1:8.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Purchasing Power and Wage Policy

The severity of business cycles would be greatly lessened if the prospective rates of profit were not subject to such violent fluctuations, and if purchasing power available for consumption could be kept more in line with productive power in periods of prosperity, and maintained in times of depression. The chief problem would seem to be that of distributing adequate consumers' purchasing power to consume the goods produced. Reducing wage rates does not seem to be a policy which will bring this about. Likewise, those proposals for national planning which have as their purpose merely the control of production and capital expansion without a program for expanding or maintaining consumers' purchasing power would not seem to give much promise of success. By Emmett H. Welch. *Bulletin of the Taylor Society*, October, 1932, p. 169:15.

Industrial Relations in the Depression

Industrial relations activities have been well maintained by large industrial concerns in the face of the depression of the last three years, according to the results of a survey covering 61 concerns which had 1,158,988 employees in 1929 and 853,630 employees in 1932, recently completed by The Merchants' Association of New York.

A questionnaire listed 21 specific industrial relations activities. An average of 10 each was reported as being carried on in June, 1929, by the 61 firms replying. The

actual number of activities thus listed was 616. Of these, 575 continued to function during the period covered. Of the 41 activities suspended, 17 will be reorganized. Thirty-nine firms reported that in June, 1929, 2,339 persons were directly engaged in the administration of the activities listed. Currently there are 1,926 persons thus engaged in the same shops; therefore, there has been a decrease of 17.6 in the administrative personnel directly engaged in industrial relations activities.

The frequency with which selected industrial relations activities are to be found in the 61 concerns reporting, the frequency with which each activity is listed as being the most important, the plans suspended and the number expected to be reorganized, are given in tabular form. *The Merchants' Association of New York*, Oct. 13, 1932.

Can Our Unemployed Find Refuge Down on the Farm?

There has been considerable talk of solving our unemployment problem by placing our idle men on idle farms. It is a fine thing to dream about, says the president of International Harvester Company and former head of the Farm Board, but hard facts stand in the way of making unemployed factory workers into full time farmers. Mr. Legge explains why he is opposed to such a scheme on a wholesale scale. An interview with Alexander Legge by Neil M. Clark. *Nation's Business*, October, 1932, p. 16:6.

The Economic Security of Wage Workers

A plan for co-ordinating the interests of employees, employers and society in employment stabilization. By John R. Hall. *N. A. C. A. Bulletin*, Aug. 15, 1932, Sec. I, p. 1597:20.

Sharing the Work

The net effect of the five-day week adopted recently by the Standard Oil Co. of New Jersey has meant jobs to about 2,900 employees, or nine per cent of the total on the payrolls of the domestic companies in the group.

No field manager or department head has found that shorter working hours have brought about a drop in efficiency; on the contrary, there has been a real gain through the resumption of the policy of promotions which were practically ended so long as men were being laid off. Wherever possible full or part time vacancies have been filled by promotions from lower positions, such additional help as is needed being taken on at the bottom.

When the New Jersey company announced that its entire domestic organization would be placed on a five-day week, it emphasized that one of the principal obstructions in the way of business improvement was the problem of halting unemployment and of re-employing large numbers. "About the biggest task facing the United States today is the relief of this condition," this article reiterates. *The Lamp*, August, 1932, p. 2:1.

An Analysis of the Wisconsin Unemployment Compensation Act

The Wisconsin Unemployment Compensation act deserves recognition not only as the first unemployment insurance law enacted in the United States, but also as a pioneer in substituting the principle of unemployment reserves contributed by employers alone for the better known plans of joint contributions involving employers, employees and the state. The primary purpose of the law is to bring about industrial

planning as a means of stabilizing employment, while unemployment benefits are regarded as a necessary adjunct to the extent that complete stabilization cannot be obtained. The Wisconsin law, unlike most European legislation on this subject, is so drafted as to preclude the possibility of fusing unemployment insurance with public charity. The chief criticism of the law is found in its application only to the larger employers, and in the relatively small reserves required per employee which will limit its effectiveness. In general, the Wisconsin plan is simple and direct of application, possesses no outstanding weaknesses, and should function effectively. It will, in all probability, serve as a basis for future unemployment legislation in this country. By E. E. Muntz. *The American Economic Review*, September, 1932, p. 414:15.

"Why We Passed Up a Million in Profits"

In 1929 the Hershey Chocolate Corporation had over 2,000 employees on its payrolls. Today it still has over 2,000. Wages have not been cut. The company receives a considerably smaller price per pound for its product. A smaller labor cost per pound, achieved by wage cuts, might have been considered logical. Instead, hourly rates have been maintained, and the only loss of income to workers has come through working shorter hours during slack periods.

The sales force has been kept intact, and there have been no salary cuts. Hershey believes that it pays to build up a loyal organization of interested people who do not leave the minute some one offers them a few cents more. Those responsible for Hershey policies also have constantly in mind the thought that cutting wages cuts consumer purchasing power, hurts the business of other people and eventually comes back to the organization's own doors, whereas maintaining wages helps to break the vicious circle of retrenchment. The community club building and hotel, being built now to carry out plans made years

ago and to give as much employment as possible to people from outside of Hershey; and the company's attitude toward its consuming public are other phases of this company's history which make it stand out as one of the unique business achievements of the present time. By Chapin Hoskins. *Forbes*, Oct. 15, 1932, p. 7:2.

Teagle Share-the-Work Program

Among the articles which have appeared on the Share-The-Work Movement, of which Walter C. Teagle is Chairman, are the following:

How Share-The-Work Has Been Applied. Pamphlet, Share-The-Work Movement of the Federal Reserve Banking and Industrial Committee. 62 pages.

Work-Sharing Plan Vital, says Teagle. *The New York Times*, Sept. 20, 1932.

Teagle Explains Share-The-Work Plan

Training and Education: Schools, Publications, Bulletin Boards

What's Ahead in Foreman Training?

In order that foreman training may perform a function of maximum usefulness, educators and industrial managers should join forces to bring about certain needed improvements in policies and practices affecting foremanship:

1. There should be a greater general recognition of the foreman's responsibility in the production organization, of the importance of his duties, and of the need for a still further toning up of the quality of supervision.

2. In part, the need for better foremanship should be, and doubtless will be, met through the further adoption of scientific methods of selection.

3. Managers should seek to acquire a more thorough understanding of the purposes of foreman training and the methods by which these purposes can best be accomplished.

4. This better understanding is likely to lead, not to absolute uniformity, but to the elimination of some of the widest diversi-

ties, and to the development of methods which embody the best features of the courses now in use.

5. The organization of a national association for foreman training, which would bring together the proponents of different types of foreman training for discussion, the comparing of views, and for ultimate cooperation toward the advance of the movement, might be one means toward the early accomplishment of the suggested improvements. By Edward S. Cowdrick. *Mechanical Engineering*, September, 1932, p. 629:4.

Libraries, Apprenticeship, Employee Works

As a means of protecting the workers on public construction projects, many states, and also the Federal Government, require the contractor to give a bond insuring payment to all persons having just claims upon him for services or materials. The complete text of the law passed by the Seventy-second Congress covering construction work in the District of Columbia and citations from the State laws are given. *Monthly Labor Review*, September, 1932, p. 545:3.

Measuring Vocational Guidance

Workers in vocational guidance have made many attempts to evaluate objectively the effectiveness of their efforts. This article summarizes the investigations that have been made, giving briefly the essential points concerning each report. They are grouped as follows: Studies concerned with the gathering of information about occupations; with imparting information

about occupations; with counseling of individuals; with placement and follow-up. In spite of the many difficulties standing in the way of evaluation, a number of investigations show such favorable results that vocational counselors can find encouragement to continue their efforts. By Harry D. Kitson and Edgar M. Stover. *The Personnel Journal*, October, 1932, p. 150:10.

How to Install and Operate a Foreman-Training Plan

After the careful selection of a course leader and the definite planning of the first few meetings by a committee, announcement may be made to those eligible for enrollment. At the opening meeting the plan may be presented, including the specific subject to be studied and the tie-in of the subject with the man's every day work and chances for advancement.

Sessions may be from 45 minutes to an hour and a half in length. The class leader should preferably start off with a ten-minute introductory statement of the subject. Outlines of the subject should be distributed at the previous meeting and brought to class. The art of leading a class consists

partly in the ability to draw the right man into the discussion at the right time. The regular program may be varied from time to time by bringing in outside speakers.

Mr. Dutton says that a foreman's course, rightly planned and presented, will improve efficiency and sustain morale, at little cost to the company and benefit to all. A program for an initial 12-week course, starting with a general analysis of methods and problems of management and handling of men is outlined. By H. P. Dutton. *Factory and Industrial Management*, October, 1932, p. 379:3.

The Conference in Management

This article points out how the open discussion of company policies is of benefit in business administration.

Part II of the article considers the application to units in industrial organization—union meetings, employers' association meetings, joint employer-union conferences, employee representation meetings, interest-groups. By Glenn A. Bowers. *Industrial Relations*, August, 1932, p. 373:5; September, 1932, p. 448:4.

Benefit Systems and Incentives: Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

Uniform Pension and Benefit Plan

The uniform pension and benefit plan effective September 1, 1932, for the employees of the Pacific Lighting Corporation covers the 6,200 employees of that company and its five associated companies, and is a substitute for, and an improvement on, the pension and group insurance plans previously in operation in certain of the companies.

The new program includes group life insurance approximating \$12,000,000 disability benefits and retirement incomes. The entire cost of the life insurance and disability provisions will be borne by the various companies; and the employees themselves will build up by monthly savings their respective retirement incomes which

will be supplemented at age 65 for men and age 60 for women by an additional retirement income—amounting to something more than half—from their employer companies. Details of the plan's provisions are given. *Industrial Relations*, September, 1932, p. 454:3.

Executive Incentives

A recent study of the incentive plan of wage payment for non-productive department heads and similar employees suggests a graphic rating scale for evaluating the effectiveness of department heads' extra effort, the items involved being: 1. the combined efficiency of the various departments served by the particular department under consideration; 2. the ratio of specific

departmental expense to total plant output; 3. the ratio of scrap to departmental output, or the ratio of stoppages to hours worked.

From these three ratings a departmental rating is evolved. This theoretical plan is explained and illustrated. *Industrial Relations*, September, 1932, p. 446:2.

Time Study and Its Relation to the Piece Method of Payment

By C. O. Rainey. *N. A. C. A. Bulletin*, Sept. 15, 1932, Sec. I, p. 115:17

Employees' Mutual Benefit Associations

In many organizations in business and industry, employees' mutual benefit associations have been established. Such organizations have increased both in number and purpose during the past decade. Practically all benefit associations afford an opportunity for employees cooperatively to protect themselves and their families against such hazards as sickness and accident. Some also include a death benefit and a few make some provision for old age. Many associations go further than this. Some direct recreation and educational programs; some administer savings

and investment plans; and others provide health service. A few associations have developed into, or have developed in connection with, forms of employee representation. This study is the result of an examination of the plans of representative associations in a wide variety of industries. It discusses purpose, organization, membership, administration, funds, relief and medical benefits and miscellaneous activities, as embodied in various plans. *Policyholders Service Bureau, Metropolitan Life Insurance Company*. 20 pages.

Suggestions From Workers: Schemes and Problems

This article discusses the purposes, methods and history of suggestion plans. A comparative table gives data on suggestions in 26 establishments. Problems of payment and the use of non-financial incentives are considered. The indicators of quality of suggestions—per cent adopted, subject-matter, curves of payment, assessed values in relation to wage-bill, patents, etc.—are further discussed, as well as the function of promoting the interest and competence of workers. By Z. Clark Dickinson. *The Quarterly Journal of Economics*, August, 1932, p. 617:27.

Research and Experiment

Chemical Research in the Depression

A recent survey of industrial research laboratories made by the National Research Council showed that of 60 companies in the chemical industry responding to a questionnaire distributed, 40 reported their research expenditures in 1931, showing an annual average of \$195,000. An average increase over 1929 expenditures of 34 companies for which earlier figures are available is indicated.

Out of 46 reporting companies 67.5 per cent increased their research expenditures in 1931 as compared with 1929, 8.7 per cent made no change, and 23.8 per cent decreased. Translated in percentage of sales, 75 per cent of the reporting companies are spend-

ing a larger percentage of their sales in research, 15 per cent are making no change, and 10 per cent are decreasing the proportion spent on research.

A series of tables and charts presents the detailed findings of the survey. By Maurice Holland and W. Spraggen. Reprinted from *Industrial and Engineering Chemistry*, August, 1932, p. 956:5.

Marketing Good Design

Citing a number of "long-range translations of motive, material, purpose and idea" from ancient art to modern products, the director of industrial relations of the New York Metropolitan Museum of Art, lists such examples as the conscious link

between old Florentine glass bottles and today's printed voiles. Manufacturers who can adapt such inspirations, he writes, "are on the high road to that success and reputation by which the old work, too, was tested—the satisfaction of the discriminating customer." By Richard F. Bach. *Executives Service Bulletin*, October, 1932, p. 5:2.

Industrial Scouts Search Out New Products for Idle Machines

American industries are seeking new products and processes more eagerly than ever before. The reasons for their zeal are obvious enough—they hope to find work for the idle machines; they hope to find

something new that will stimulate a sluggish market; they hope to cut costs.

For the most part, this search goes on in the engineering departments of industrial corporations. It is always going on, in good times and bad, but the depression has increased the pressure. Recent surveys indicate that a surprisingly large number of corporations have not decreased, have even increased, engineering and research staffs since 1929; those which have cut down personnel, there is good reason to conclude, have let go for the most part engineers charged with supervision of routine operations, and have retained the men who are engaged in research and design. *The Business Week*, Oct. 19, 1932, p. 5:1.

MARKETING MANAGEMENT

The American Consumer Market

A study of estimates of the total value of the goods and services absorbed by the American consumer market year by year from 1919 through 1930; it is a detailed analysis of how and where the money of Americans has been going for a period of over ten years—classified by thirteen income groups—those receiving under \$1,000 up to those receiving over \$1,000,000. Statistical data, tables and explanations are illustrated with graphs, bar and pie charts. Reprinted from *The Business Week*, April 27—Sept. 7, 1932. 37 pages.

nized by every business organization, a law of profits which is: buy right, sell right, compete right. By C. D. Garretson. *Sales Management*, Oct. 10, 1932, p. 305:2.

How Modern Design Policies Cut Distribution Costs

Labor is now one of the minor elements of cost in many consumer products. The objectives of design, therefore, are no longer primarily aimed at speeding production, but at decreasing distribution costs.

How the depression has caused our design engineers to become "sales-minded" is told by the author, who relates numerous examples of successful breaking down of sales resistance through the redesign of products.

This is the second article by the author in a series covering the various problems of modern merchandising in the metal-working industry. By George S. Brady. *The Iron Age*, Sept. 29, 1932, p. 490:4.

Novel Ideas for Sales Bulletins and Salesmen's Publications

A number of successful ideas and suggestions used by companies to increase the effectiveness of their bulletins are described. *Dartnell Sales Data*, Oct. 8, 1932.

Mohawk Carpet "Fact Finding" Contest for Retail Salesmen

The Mohawk Carpet Mills set about getting benefit of the experience and advice of retail merchants, retail salesmen and buyers all over the country by providing four-

Buy Right; Sell Right; Compete Right: This Is the Law of Profits

Profits are indispensable for the support of every element of our civilization. What we need, says Mr. Garretson, is not legal action by Congress to force profit maintenance, but a law of industry to be recog-

page questionnaires which were filled out and returned to the factory. Prizes for the best questionnaires stimulated interest. The company wanted to get facts on which they could base production policies, and future sales policies, as well as data helpful in introducing new designs that would be good sellers. The plan uncovered plenty of wis-

dom, vision and helpful information on which the company will capitalize. It is outlined. *Dartnell Sales Data*, Oct. 8, 1932.

What Use Can the Sales Manager Make of Manufacturing Costs?

By Charles Couch James. *N. A. C. A. Bulletin*, Oct. 1, 1932, Sec. I, p. 181:11.

Sales Promotion: Letters, House Organs, Advertising

Tuning, Toning, Timing as Factors in Sales Success

The vice-president and director of sales of the Norge Corporation offers these rules to follow in starting any sales effort on a national basis: Wait until the product has been properly conditioned to answer a mass need. Wait until the public has been properly educated to desire that product. Wait until the right distributive channels show major interest in the profit possibilities of such a product. Then and then only is the time right for national expansion.

The product and the program must be correctly toned to the desire of the consumer and the dealer in such manner as to create vital advantages, capable of creating preference in the minds of both, if sales success is to be won without undue pressure and at low sales cost.

The activities of all factors involved in the delivery of the sales impulse and the transportation of the physical product from the shipping platform into ultimate consumer satisfaction should be so tuned together that each will contribute to rather than detract from the effectiveness of the sales impulse. By John H. Knapp. *Printers' Ink*, Sept. 1, 1932, p. 49:3.

Cooperative Advertising Through Trade Associations

This article points out the economics underlying cooperative promotion and advertising, that is, the character of demand; and includes certain basic considerations involved in estimating the opportunity of a group of manufacturers to stimulate de-

mand for a product; some of the more important problems met in the actual conduct of cooperative advertising and promotional efforts are also considered.

The author stresses the importance of fashioning an association's activities to meet the problems faced by its industry. If merchandise study is essential the association should carry on a merchandising study. If price structures are a great hindrance to sales an attack on the price problem should be carried on. Advertising and sales promotion are not things apart; nor should they be expected to accomplish great results when conditions within the industry create excessive obstacles to sales. By Neil H. Borden. *Harvard Business Review*, July, 1932, p. 482:11.

The Dollars and Cents of Smell

Manufacturers realized long ago that they must give their products visual appeal. Now they are beginning to realize that to visual must be added olfactory appeal. The newest sales stunt is to appeal to the customer through a pleasant odor.

When a prospective woman customer pokes her head inside a new sedan, the faint suggestion of flowers gives her an impression of luxury. An Illinois department store incloses a perfumed "Thank You" with its receipted bills. A Connecticut fire insurance company solicits business by sending through the mails a folder carrying with it the wet-burnt-wood odor that a house would have after it had been ravaged by flames. The introduction of coumarin into the manufacture of certain brands of cigarettes has increased their

sales and popularity. Silk hosiery, artificial leathers, even laundry starch, are now being deodorized and then reodorized to give them a positive scent that adds to their sales value. By Donald A. Laird. *New York Herald Tribune*, Sept. 18, 1932.

14,000 New York Outlets in Sixty-Five Days

How the Seminole Paper Corporation captured the New York market: 1. Offered a quality product which made no pretense of competing with chain private brands or other brands sold on a price basis. 2. Used intensive and continuous localized advertising in 22 New York City and suburban newspapers—the biggest toilet tissue campaign ever run in these markets. 3. Provided a good margin of profit on the product for distributors and dealers, and emphasized the folly of cutting prices. 4. Won the co-operation of grocery wholesalers in distributing the product, whereas distribution of this product in the New York territory had previously been accomplished largely through paper wholesalers. 5. Provided point-of-sale merchandising plans and ideas. By Lawrence M. Hughes. *Sales Management*, Sept. 1, 1932, p. 178:2.

This Budget System Controls Every Advertising Dollar

A detailed and illustrated explanation of how LaPlant-Cheate Manufacturing Co. apportions to each of 104 products its proportionate share of advertising expense. By Carroll B. Smith. *Printers' Ink Monthly*, September, 1932, p. 30:2.

Salesmen: Selection, Training, Compensation

How Do You Compensate Your Salesmen?

The reduced earnings of salesmen on the straight commission plan constitute a real problem for sales management today, according to the vice-president of the Dictaphone Corporation. The weakness of a straight salary basis with its fixed cost and tendency to dull initiative has been spotlighted in these days of reduced sales

Letters That Sell

The Timken Silent Automatic Company has prepared a why and how letter manual for its dealers' salesmen designed to meet all situations. "What will the product do for me?" is the unspoken question in the prospect's mind around which the entire manual is built. Although they are form letters, the personalizing of every letter is stressed in many ways.

The company tells the salesman that the use of the letters will do the following definite things for him: 1. Help overcome prospects' objections; 2. Help emphasize important features; 3. Assist in educational work with prospects; 4. Put prospects in the right frame of mind for the next call; 5. Assist him in canvassing—both personal and telephone; 6. Assist him in capitalizing on the publicity value of new installations; 7. Keep the prospect's interest alive between calls. By Ralph Crothers. *Printers' Ink*, Oct. 6, 1932, p. 40:4.

New Device an Aid in Selling

A compact machine called the Visaphone has recently been announced. This device consists of a projector for pictures co-ordinated with sound from phonograph records. It is now possible for business executives to prepare talks and have them delivered with illustrations at any point without being present themselves. The Visaphone is valuable in educating dealers and jobbers to products, in employee training, in general advertising campaigns and in selling to the public. *Babson's Reports*, Sept. 26, 1932, p. 4.

volume. Most companies have consequently found it necessary to eliminate the straight salary plan and replace it with a drawing account against commission or a salary and commission plan.

While the straight commission plan is used by the Dictaphone Corporation, every effort is made to offset its inherent disadvantages. One of these is the loss of corporate character which is liable to re-

sult when the salesman is his own boss. The company's training program, its sales and advertising policies are planned to keep the corporate character to the fore.

Mr. Sands points out that there are no basic formulae for compensating salesmen. The compensating of sales forces is a specific problem to each specific sales force, to be met only by its own specific solution. By Merrill B. Sands. *Advertising & Selling*, Aug. 4, 1932, p. 21:2.

Taking the Theory Out of Sales Training

The General Sales Manager of The Timken Silent Automatic Company describes that company's training program. It is divided into two parts: classroom work in salesroom of dealer or branch; laboratory work in the field under close supervision.

Timken seeks to sell its men, not on the idea of a personal supervisor who is a "straw boss," but on the thought that two heads are better than one. Following the preliminary training, the salesman is assigned to an exclusive territory for canvassing purposes. Later he is put through another course called the advanced training school. The standard presentation is used. Mr. Walsh describes the Timken sales manual and tells how it is used in training salesmen; also other sales material given the men. By E. V. Walsh. *The Red Barrel*, Aug. 15, 1932, p. 14:4.

Time Control and Report Methods for Salesmen

Making the salesman more responsible for his time and requiring him to give an accurate account of it on his daily report is one of the best ways, many concerns have found, to help him get the most out of every day's work. The idea is not, as some erroneously believe, one of attempting to drive salesmen but is rather one of helping them to accomplish more. This purpose is behind every improvement in report systems submitted to this investigation. Reports have been so planned be-

cause they provide the home office with such a complete analysis of the way the salesman uses his time that every possible effort can be made to help him use it most advantageously.

An increased tendency is also found to return either the original report or the duplicate to the salesman with the office comment upon it, thus proving to him not only that his report has been checked, but giving him suggestions while the work is still fresh in his mind.

Reduction in the number of reports required continues to be a major trend. The whole idea on this subject is to make them as brief as the necessary information will allow them to be and then to make real use of what is left in increasing the productiveness of the individual salesman. *Dartnell Report No. 382*. 31 pages.

The Why and How of the Graphic Sales Presentation

The following points are discussed, drawn from more than a score of graphic sales presentations for varying lines of business: 1. Presenting the complete story; 2. The most effective sequence; 3. Enhancement of dramatic values; 4. Added interest of eye appeal; 5. Secures better class of salesmen; 6. Reduced sales staff turnover; 7. Increased confidence for new men; 8. Less time for training; 9. Increased production for salesmen; 10. More interviews; 11. Helps to obtain complete interviews; 12. Increased confidence in the listener; 13. Saves time—for prospect and salesman; 14. Reduces the harm of interruptions; 15. Answering questions; 16. Cutting back; 17. Group selling; 18. Concentrated attention. By Frederic Kammann. *Printers' Ink*, Sept. 1, 1932, p. 33:3.

Dramatized Sales Presentations

The strong tendency, evidenced in this investigation, is to dramatize the sales story. When analyzed these "new" dramatized presentations are found to work through two avenues of influence—they

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catch the buyer's attention through their pictorial appeal and enable the salesman to hold that attention through their action appeal. In almost every case illustrations are used to win the instant attention that today's selling problems demand, and then the salesman is given something to do—either writing pertinent figures on a pad or filling in important sales points on a chart—to keep that attention concentrated on the subject at hand. These presentations are doing the same job in a more effective way and insure the covering of this important ground in a more thorough and orderly fashion.

Some firms are showing, also, a tendency to return to the use of a thoroughly memorized presentation. Referring to the fact that interviews are valuable, because the thirty minutes or so that the prospect

grants the salesman is the only time that pays him anything, many concerns report that they are not taking any chances on salesmen leaving out important points of the sales story when sales are so important. They build a presentation to incorporate those points that present buying conditions particularly emphasize and then require their salesmen to use it.

The manner in which the use of objections has increased with the past three years has made the origination of convincing answers for meeting them an important part of the presentation. Many companies have developed answers for the most prevalent of these objections and have given them to salesmen with the suggestion that they put them into their own words and use them as the occasion demands. *Dartnell Report No. 380.* 34 pages.

Buying, Receiving, Storing, Shipping

Transparent Wrappings as a Sales Aid for Food Products

This is a report on the experiences of 29 companies in the food field. On the basis of the information submitted by the organizations contributing to the survey, the general attitude seemed to be that visible packaging—where the product will allow of such packaging—is an aid to sales. However, it was emphasized that in most cases individual products offer individual prob-

lems which need to be worked out carefully before such packaging can be adopted.

Part II of the survey gives the reports returned by contributing companies, divided into baking companies, manufacturing confectioners, nut growers, importers and packers, fresh vegetable growers and shippers' chain store companies. A bibliography completes the report. *Policyholders Service Bureau, Metropolitan Life Insurance Company, 1932.* 32 pages.

Retailing

Employee Discounts and Vacations in Ohio Department and Dry Goods Stores

This survey indicates for the stores covered that discounts granted on employees' purchases tend to center chiefly about 10, 15 and 20 per cent from the retail price, with a sale price of cost plus 10 per cent appearing most frequently among the smaller stores granting price concessions of that type. 44.9 per cent of the stores report that employees' discounts are in-

cluded as markdowns, while 22.1 per cent of the reporting stores charge such discounts as expense, either general store or departmental or both, and another 12.8 per cent record net sales, ignoring discounts.

Most Ohio stores reporting for this study grant vacations to their employees. However, 21.5 per cent of these stores (chiefly medium-sized) require such vacations to be at the employees' expense, and 22.8 per cent (small or medium-sized stores and in communities of less than 25,000 people) pay for but part (usually half) of the vaca-

tion. Forty-six per cent of these Ohio stores grant their employees vacations with full pay, more than half of these being for two weeks rather than for one week. With but few exceptions, the second week of vacation is granted only after an additional period of employment ranging from six months to five years. By A. H. Chute. *Bureau of Business Research, College of Commerce and Administration, The Ohio State University*, March, 1932. 65 pages.

What the Large Retailer Can Learn From the Small Store

The successful small storekeeper has never forgotten the necessity of giving customers individual attention, says the mer-

chandise manager of Gimbel Brothers, whereas big business, during the period of easy profits, committed the error of viewing customers *en masse*. He sets forth nine selling suggestions which may prove of value to retailers, large and small. He avers that "individual service today is a prerequisite to selling." By Benjamin Weiss. *Executives Service Bulletin*, October, 1932, p. 7:2.

An Analysis of Retail Trade and Consumer Buying Habits in the Boston Retail Market

By Richard P. Doherty. *Bureau of Business Research, Boston University*. 35 pages.

Wholesaling

Selective Wholesale Distribution in the Electrical Industry

Stating that the new term "Selective Distribution" aptly describes a relationship which has existed for many years between manufacturer and wholesaler in the electrical industry, the vice-president in charge of sales of the Graybar Electric Company,

Inc., presents his conception of its application to the wholesaler. "Selective Distribution," he says, "is a natural product of the times, and I believe that it will be found to be as basically sound for other lines of merchandise as it has been for ours." By G. E. Cullinan. *Executives Service Bulletin*, October, 1932, p. 3:2.

Salesmanship

Make Positive Contacts—They're the Key to Sales Success

Twenty-eight years' experience in selling industrial supplies and equipment has taught the writer never to go into a prospect's office unless he had something to talk about which would compensate him for his time. He has found it worthwhile to try to learn something from every lost sale, his competitor's as well as his own. An-

other thing he has learned is that friends made through service are usually longer-lived than business secured through friendship. He relates some experiences which have proved valuable to him, and concludes with this advice to salesmen: "Make positive contacts everywhere. Your caddy today may be sitting in the buyer's chair tomorrow." By Fred Zwaska. *Mill Supplies*, September, 1932, p. 12:3.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912,

of The Management Review, published monthly at New York, N. Y., for October 1, 1932.
State of New York, } ss.:
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared C. M. Rice, who having been duly sworn according to law, deposes and says that she is the Editor of The Management Review and that the following is, to the best of her knowledge

and belief, a true statement of the ownership; management (and if a daily paper, the circulation, etc.), of the aforesaid publication, for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

Editor—C. M. Rice, 20 Vesey Street, New York City.

Managing Editor—None.

Business Manager—John G. Goetz, 20 Vesey Street, New York City.

2. That the owner is: (If the publication is owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

American Management Association, 20 Vesey Street, New York City.

W. J. Graham, President, 393 Seventh Avenue, New York, N. Y.

Harry B. Gilmore, Treasurer, 195 Broadway, New York, N. Y.

John G. Goetz, Managing Director, 20 Vesey Street, New York, N. Y.

Kenneth B. Andersen, Secretary, 20 Vesey Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving

the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is required from daily publications only.

C. M. RICE,
Editor.

Sworn to and subscribed before me this 27th day of September, 1932.

(Seal) IRMA MULLER
(My commission expires March 30, 1934.)

Survey of Books for Executives

The Modern Corporation and Private Property. By Adolf A. Berle, Jr., and Gardiner C. Means. Commerce Clearing House, Inc., Chicago, 1932. 396 pages. \$4.50.

This book, obviously, stems from the work of Professor William Z. Ripley. It is devoted to establishing, factually, that "ownership of wealth without appreciable control and control of wealth without appreciable ownership appear to be the logical outcome of corporate development." (p. 69.)

These propositions are satisfactorily established by a wealth of evidence, doubtless collected by the able and industrious Dr. Means. (pp. 47-119.) No quarrel can be found with the factual conclusions that the desires of corporate organizers, as well as the vast sums of money necessary to establish and carry on large corporations, result in the concentration of managerial control in the hands of those who own but a minority of the stock.

The legal views set forth, in respect of this situation, may be challenged, however, as failing entirely to recognize the adapta-

bility of the common law itself, in confronting the problems resulting from the separation of ownership from managerial control. At page 335, for example, it is stated: "Since powers of control and management were created by law, in some measure this appeared to legalize the diversion of profit into the hands of the controlling group."

This assertion, to say the least, is most astounding. The profits of a corporate enterprise may properly be disbursed, only in accordance with the contractual relations created between the corporation and its stockholders, as set forth in the certificate of incorporation. In this respect the certificate of incorporation is a contract between the corporate body and its stockholders. If the corporate profits are disbursed in accordance with the provisions of the certificate of incorporation, such a payment of profits cannot, in any honest sense of the word, be considered a "diversion." If, in contravention of the contractual relations of the provisions of the certificate of incorporation, the profits should be diverted into the hands of the controlling

group, such a diversion would be a conversion for which the law affords ample redress to objecting stockholders. It follows that the authors' generalization is more sensational than meritorious.

In an attempt to propound a means of maintaining a proper equation between the managerial group and the stockholders at large, the authors suggest the application of what they style the theory of "Corporate Powers as Powers in Trust." (p. 354.) These loudly proclaimed "Powers in Trust" are no new "discovery." They are nothing but rules of the common law and equity already in existence. If, occasionally, the courts may have failed correctly to adjudicate conflicting claims arising between the managerial group and the stockholders at large, the fault lies with the particular court, and not with the law itself, for the legal rules are sufficiently comprehensive to prevent any abuse of power by the managerial group. The unjust implication of the authors to the contrary is, therefore, not justified by the existing state of the law itself.

Equally astonishing is the statement (p. 354) :

"In direct opposition to the above doctrine of strict property rights is the view, apparently held by the great corporation lawyers and by certain students of the field, that corporate development has created a new set of relationships, giving to the groups in control powers which are absolute and not limited by any implied obligations with respect to their use."

Certainly, no competent lawyer or student in the field properly can subscribe to any such notion. The courts, with striking unanimity in the past, have controlled improper actions of those who have managerial control as the result of stock ownership. Just as they have not hesitated to protect minority stockholders against an abuse of power on the part of majority stockholders, so they do not, and will not, hesitate to interfere with improper actions of those who have managerial control without majority of the stock ownership. Any authors who suggest that the power of the man-

agerial group, or of a majority of the stock, is unlimited, ignore the fundamental rule that while no trust relation, in a technical sense, may exist as between the stockholders of the corporation, the majority cannot, nevertheless, exercise their power so as to deprive the minority of their essential rights.

The authors say (pp. 355-6) : "The control groups have, rather, cleared the way for the claims of a group far wider than either the owners or the control. They have placed the community in a position to demand that the modern corporation serve not alone the owners or the control but all society."

The right of society exists, but not as the result of the separation of control, as these professors suggest. If society has any claims, they may be found to rest in a different source—the "police power" of the state, which gives the state the power of regulation, not because of the separation of ownership and control, but if and when the public interest so demands. The exercise of that police power is for the legislature, and not for the courts, in advance of legislative action.

Much of Book II of this work has, in substance, appeared previously in Berle, "Studies in the Law of Corporation Finance."¹

The failure to quote, or even refer to, Judge Cardozo's recent epoch-making opinion in the case of *People v. Mancuso*, in Chapter V, dealing with "The Legal Position of Management," is a bad oversight. The rules there laid down establish that "directors must direct," and, if comprehended and applied, would render unnecessary a large part of the authors' rhetoric and new legal "discoveries."

The last two sentences of the work are:

"The future may see the economic organism, now typified by the corporation, not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organization. The law of corporations, accordingly, might well be considered as a potential constitutional law

¹ Callaghan & Co., Chicago, 1928.

for the new economic state, while business practice is increasingly assuming the aspect of economic statesmanship." (Italics the reviewer's.)

The only adequate comment as to these blood-curdling prognostications is—in the vernacular—"applesauce."

I. MAURICE WORMSER,
Professor of Law,
Fordham University.

Commerce Yearbook—1932. (Tenth Number) Vol. I — United States. U. S. Department of Commerce, Washington, D. C., 1932. 602 pages. \$1.25.

A comprehensive review of developments in all branches of American trade and industry in 1931. It is the official summing up of business in the United States during that period, and a valuable source of statistical data pertaining to American business. Discussion of domestic and foreign trade, manufacturing, transportation, employment, finance and power are presented, together with individual surveys of each major industry.

The Seven Keys to Retail Profits. By Clyde Bedell. McGraw-Hill Book Co., New York, 1931. 443 pages. \$3.50.

The keys are: 1. Spread your merchandise investment over the maximum number of fast-turning, wanted items; 2. Put out on display the greatest possible proportion of the merchandise you own; 3. Name the prices that customers favor and plainly price-ticket everything; 4. Keep your store friendly, pleasant and interesting; 5. Induce buying in every possible way, every minute of every day; 6. Use merchandise control figures and run your business where you want it to go; 7. Buy frequently and modestly to get fast turnover.

Mr. Bedell gives an exposition of how these fundamentals may be applied; he explains his Five-Point Star Test to avoid errors in purchasing, makes suggestions for handling the personnel, and gives as many

tried and tested "ready-to-put-to-work" methods as he has found successful.

A series of forewords by persons prominently identified with distribution points out the book's adaptability to manufacturers, wholesalers, trade organizations and salesmen.

Owen D. Young—A New Type of Industrial Leader. By Ida M. Tarbell. Macmillan, New York, 1932. 353 pages. \$3.00.

One could scarcely find a more pleasant and absorbing method of studying the development of a new concept of the position of industry in society than by reading Miss Tarbell's biography of Owen D. Young. In tracing the events in Mr. Young's life following his affiliation with the General Electric Company, the author brings out clearly his constant adherence to the philosophy of leadership in business as a position of trusteeship with respect to stockholders, labor and the public.

From this field it is a long step to that of international finance—not so distant, however, that the reader will have any difficulty in tracing Mr. Young's success here to the same insistence on equal consideration for all parties concerned, the principle that stands out most clearly in his administration of one of our largest industrial units.

The Crisis of Capitalism in America. By M. J. Bonn, translated from the German by Winifred Ray. The John Day Company, New York, 1932. 232 pages. \$2.50.

Few European observers of recent economic history in the United States have succeeded in displaying a more thorough understanding of conditions and a more unbiased attitude than Professor Bonn. Tracing events in the boom years, 1924-1929, and the causes for this prosperity, he points to several sore spots that ultimately were important factors in undermining the expansive structure which arose during this period. Among those who failed to obtain

their share he includes the farmer, the textile and coal mining industries.

In the chapter from which the book derives its title, the author states that there is little danger as far as the life of the capitalistic system is concerned. Rather the cause of the crisis is attributed to the ordeal of a readjustment in the system whereby we may pass from an era of uncontrolled individualism to one in which industry is adjusted to serve the interests of the greatest possible number.

K. B. A.

Psychology at Work. Edited by Paul S. Achilles. Whittlesey House, McGraw-Hill Book Co., New York, 1932. 260 pages. \$2.50.

This book describes, in a series of brief sketches, the most recent methods and practical findings of present-day psychology. The contributors are: Lois Hayden Meek, Arnold Gesell, Arthur I. Gates, Mark A. May, Walter R. Miles, Morris S. Viteles and Floyd H. Allport.

Managing Minds. By Charles R. Allen and Harry A. Tiemann. Century Company, New York, 1932. 286 pages. \$2.50.

The thinking machine and mental characteristics, the learning process and the thinking process, habits and habit formation, learning incentives and motives, teaching procedures, methods and devices, and other psychological problems are considered in this volume.

How Workers Find Jobs. By Dorothea de Schweinitz. University of Pennsylvania Press, Philadelphia, 1932. 199 pages. \$2.50.

This book reports an inquiry undertaken to learn the methods by which workers find jobs in a particular industry and locality—the full-fashioned hosiery industry of Philadelphia. It is addressed to employment bureau officials, vocational counselors, personnel officers, etc., and is intended as a

sample study to indicate not only the methods whereby the worker is put in touch with his job but also the type of information needed in a public employment office if it is to perform this service for all industries.

The bulk of the information for this report was secured through questionnaires answered by over 4,000 hosiery workers, representing about 20 per cent of the total workers in the industry. This information was supplemented by a questionnaire sent to the manufacturers in 61 mills and by personal interviews with superintendents, foremen, and both union and non-union workers.

Changes in production methods, such as the gradual induction of the single unit machine, developments in the boarding equipment, accurate data on the expansion and contraction of the industry, etc., are types of information which the study indicates the employment bureau should gather and make available for this industry. Other recommendations are made, based upon the findings of the survey.

The British System of Social Insurance. By Percy Cohen. Columbia University Press, New York, 1932. 278 pages. \$3.50.

This study sets forth the history of the different British systems and includes chapters on: Health Insurance; Widows', Orphans' and Old Age Contributory Pensions; Old Age Pensions Acts, 1908-24 (Non-Contributory); Unemployment Insurance; Workmen's Compensation; Industrial Assurance.

Investing in Wages. By Albert L. Deane and Henry Kittredge Norton. Macmillan, New York, 1932. 155 pages. \$1.75.

The basis of the plan set forth in this little book is that if producers were to put into the wages they pay to their employees a sufficient sum to keep consuming power at the highest possible level there would be sufficient demand to absorb all they can produce. The authors find that "a fundamental factor lacking to enable American

business to continue its upward march from 1929 to the present day was enough consuming power to purchase its output," and they add that "preposterous as it may seem, the thing most needed in October, 1929, to prolong the prosperity of the previous years was higher wages." They present some interesting calculations to illuminate this conclusion.

The plan described contemplates the establishment of an employment reserve board in each state under and affiliated with a national employment reserve board. A predetermined percentage of their payrolls would be paid by the employers in each state into a state board and this board would register workers and labor needs and serve as a clearing house for labor, while the payments would constitute a trust fund to offset decrease in earnings and in buying power in times of lowered employment. Thus would be provided, the authors feel sure, both the widest possible distribution of labor and the means of keeping consumption at its usual level so that production and distribution would not be affected.

The Holding Company. By James C. Bonbright and Gardiner C. Means. McGraw-Hill Book Co., Inc., New York, 1932. 398 pages. \$4.00.

A searching inquiry into the holding company as a form of business organization, its advantages, disadvantages, and the menace which it presents to the interests of the American public, is contained in this volume. Outstanding holding companies in the industrial, public utility, railroad and banking fields are scrutinized, their financial structures criticized, and their ability to escape governmental regulation indicated.

In concluding, the authors declare that the comparative freedom of the holding company from social control justifies grave public concern and criticism. "The time is fast coming," they say, "when the people of the United States will no longer submit to this economic dictatorship by a great privately controlled institution, originally conjured up by legislative act, but

now becoming more powerful than the government itself."

A book which merits careful study by promoter, banker, business man, and the general public.

M. R. L.

Book and Job Printing in Chicago. By Emily Clark Brown. University of Chicago Press, Chicago, 1931. 363 pages. \$3.00.

This study presents a history of organizations in the book and job printing industry in Chicago, showing the development of both trade unions and employers' associations. The relationships among the employers themselves and between employers and labor, the rise of collective bargaining, the division of the industry into union and non-union sections, and the growth and interaction of these sections, all are studied. Finally the story of efforts to bring all groups of employers together in a trade association program to solve pressing business problems and the interactions of those efforts with the labor relations of the industry are followed.

The Smoothing of Time Series. By Frederick R. Macaulay. National Bureau of Economic Research, Inc., New York, 1931. 172 pages. \$2.00.

Coincident with the increasing interest manifest in the phenomena of business cycles, there has been a growth in the attention given to statistical treatment of economic data. Indeed, the extension of our knowledge of the characteristics of secular trends is basic to any appreciable addition to our understanding of business cycles. Consequently, this volume of Dr. Macaulay's giving detailed consideration to the technique of smoothing time series is a welcome accession to the field of statistics.

In this book Dr. Macaulay has pointed out the disadvantage of the simple moving average methods of smoothing time series. He has indicated the necessity for the use of more adequate methods which involve

the application of smooth and systematic systems of weighting to a modification of the moving average methods. Emphasis is placed particularly on the Whittaker-Henderson method of graduation which has been used in the investigation of the National Bureau of Economic Research into the history of interest rates and security prices.

While the author has labored earnestly to simplify the explanations involved in this treatment of the subject, a reading of the text indicates that the task is not an easy one. The material is presented in a form that is easily readable only by those who possess a reasonably extensive background in the study of curve smoothing by various graduation methods. The book, however, does present paradigms which assist the reader in following the technique of the methods discussed.

FRANK PARKER, *Professor of Finance,
Wharton School of Finance & Commerce,
University of Pennsylvania.*

Profits in Advance. By Lee H. Bristol. Harper & Bros., New York, 1932. 180 pages. \$2.50.

This book is written from the viewpoint of a large, national distributor and executives reading it will recognize many points which they have frequently discussed in their own offices.

Mr. Bristol puts before his readers two very worthwhile lines of thought on the sales and promotional aspects of a business. The first is simply that a business should keep its eye fixed on the goal of profits and (not so simply) budget them as definitely as it does expenses. The second thought is that this goal can most surely be reached when the whole machinery of a company's distributive activities is headed by one man who understands all its functions and can co-ordinate them.

Probably the high spot of interest in this book is to be found in Chapter IV, in which the subject of budgeting profits is discussed. Mr. Bristol develops the thesis that one of the first items to be set up in

the budget sheet is the item of profit and that all expenses are budgeted only after the profit item has been set up.

While the method he proposes may be difficult for certain kinds of businesses to carry out, it seems strange that it is not in more common use. It is a sensible program and the author has presented it in a clear and simple manner.

Particularly in recent years, the sales part of a company's organization is in danger of becoming so engrossed in the consideration of methods of increasing volume that the more important problem of securing a profit on the volume obtained is frequently forgotten. It is this weakness of sales organizations which Mr. Bristol's proposal is designed to correct.

It is not likely that any one will disagree with him on the need of a "Distribution Director," whether that functionary be known by that or some other name.

It seems quite apparent that the author has reached his conclusions by the route of extended experience in advertising, and his recognition of the weaknesses which have been so prevalent in the handling of budgets. Advertising and promotional budgets are always in danger of being "hope budgets." What Mr. Bristol is trying to bring out is that we should have fewer "hope budgets" and more "practical budgets." Unquestionably, he has made a clear and rather incisive presentation of his subject.

From the point of view of logic and unity, it is not quite so clear why Chapters IX and X have been made part of this book. Chapter IX, under the heading "We Have at Washington," is a good compendium of information available in United States government departments. Chapter X might have been called "Some Scattered Thoughts and Ideals Concerning Management." These chapters, however, do not mar the value of Mr. Bristol's contribution to sound thinking. They merely distract attention from the main issues of the book.

GUY C. SMITH,
*General Sales Manager,
Libby, McNeill & Libby.*